

## Message Text

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S E C R E T BAGHDAD 53

LIMDIS

E.O. 11652: GDS

TAGS: MASS, PFOR, IZ, US

SUBJECT: U.S. POLICY ON MILITARY SALES TO IRAQ

1. SUMMARY: THREE SEPARATE BUT RELATED EVENTS DEMONSTRATE HOW 1967 USG POLICY ON ARMS SALES TO IRAQ PREVENTS US FROM CONTRUBUTING TO REALIZATION OF ONE OF OUR MAJOR OBJECTIVES- REDUCTION OF SOVIET INFLUENCE. IT IS ALSO DETRIMENTAL TO TWO OF OUR CLOSEST ALLIES, ITALY AND SPAIN. END SUMMARY.

2. ITALIAN AMBASSADOR NUTI AND EMBOFFS HAVE DURING PAST FEW WEEKS COMPLAINED HOW USG REFUSAL TO GRANT AUTHORIZATION FOR ITALIAN COMPANY TO SELL 200 M-113 APCs TO IRAQ (STATE 240302) HAS SOURED THEIR RELATIONS AND MADE IT UNLIKELY THAT NUMEROUS OTHER ITALIAN PROJECTS WILL GO FORWARD. GOI HAS TOLD ITALIANS THEY HAVE UNTIL JAN 31 TO GIVE ANSWER AND IF M-113S CANNOT BE DELIVERED OTHER DEALS ARE OFF. EMBOFFS CLAIM THAT THESE CONTRACTS, PARTICULARLY ONE INVOLV- ING FIAT, ARE OF LIFE-AND-DEATH IMPORTANCE TO SEVERAL FACTORIES IN ITALY. IN VIEW ITALIAN DEMARCHES ALREADY MADE IN WASHINGTON, I ASSUME ROME HAS REPORTED ON VALIDITY OF THESE STATEMENTS.

3. SECOND CASE ABOUT WHICH DEPARTMENT WELL INFORMED WAS REFUSAL TO PERMIT SPAIN TO EXPORT RECOILESS RIFLES.

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4. THIRD CASE IS USG REFUSAL TO PERMIT EXPORT OF LOCKHEED

L-100S. LOCKHEED AIRCRAFT REP JAY WALDEN HAS BEEN IN BAGHDAD SINCE NOVEMBER ATTEMPTING TO PUT TOGETHER A PACKAGE GOI WILL BUY. HE TOLD ME JANUARY 14 THAT PURCHASE OF 12 L-100S HAS BECOME GOI PREREQUISITE FOR FURTHER DISCUSSION OF LEASING ELECTRAS AS WELL AS POSSIBLE PURCHASE OF TRISTARS (BAGHDAD 777). THIS BEING CASE, WALDEN WENT INTO SOME DETAIL ABOUT STATUS OF NEGOTIATIONS FOR L-100S, TOTAL COST OF WHICH, INCLUDING SPARE PARTS, TRAINING PACKAGE, ET AL, WOULD BE OVER 100 MILLION DOLLARS. ALTHOUGH GOI HAD TENTATIVELY AGREED TO PURCHASE L-100S FOR FUTURE DELIVERY, BASED ON ASSUMPTION THAT POLITICAL DIFFERENCES WITH U.S. WOULD NO LONGER POSE PROBLEM, WALDEN SAID, GOI HAS SUBSEQUENTLY HAD SECOND THOUGHTS. IT IS, FOR EXAMPLE, AWARE OF LIBYA'S PROBLEM OF HAVING 8 C-130S PAID FOR AND SITTING IN ATLANTA ACCRUING STORAGE CHARGES BECAUSE OF USG REFUSAL TO GRANT EXPORT LICENSES. GOI WANTS TO PROTECT ITSELF AGAINST SUCH OCCURENCE AND THEREFORE LOCKHEED HAS COME UP WITH PRECEDENT SETTING CLAUSE IN DRAFT CONTRACT WHICH WOULD GUARANTEE "BEST EFFORTS" TO RESELL A/C IF THEY COULD NOT BE DELIVERED. HE SAID LOCKHEED WOULD PRESENT IRAQIS WITH DRAFT CONTRACT ON JANUARY 18. APPARENTLY MUCH NEGOTIATING REMAINS TO BE DONE BEFORE LOCKHEED WILL KNOW WHETHER SATISFACTORY FORMULA CAN BE FOUND.

5. ACCORDING TO WALDEN L-100 PURCHASE HAS GONE BACK TO RCC RECENTLY SO GOI NEGOTIATOR, IRAQI AIRWAYS DG ABU AL-KHAIL, SHOULD HAVE FINAL WORD NEXT WEEK. WHILE WALDEN DID NOT DOWNPLAY POSSIBLE MILITARY USEFULNESS OF L-100, HE SAID ANY CARGO A/C HAS SOME MILITARY UTILITY. IRAQI AIRWAYS DEFINITELY INTERESTED IN L-100 BECAUSE OF GREATER FLEXIBILITY IT GIVES THEM AND ITS EASE OF OPERATION COMPARED TO WIDE-BODIED AIRCRAFT.

5. WALDEN CONFIDED THAT LOCKHEED'S STRATEGY IS TO UNDERCUT COMPETITORS BY MEETING IRAQI AIRWAYS CARGO NEEDS WITH L-100 AND THEREBY PERMIT TRISTAR TO COMPETE ON EQUAL TERMS WITH DC-10 AND 747 FOR STRICTLY PASSENGER USE. IN ADDITION, WALDEN DOES NOT COMPLETELY DISCOUNT POSSIBILITY OF IRAQ BUYING A-300 AIRBUS.

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7. COMMENT: WHILE I RECOGNIZE THERE ARE MANY CONSIDERATIONS WHICH MUST BE TAKEN INTO ACCOUNT, I BELIEVE IT NECESSARY TO POINT OUT THAT USG ADHERENCE TO 1967 POLICY ON MILITARY SALES HAS MADE IT DIFFICULT FOR IRAQ TO BREAK SOVIET NEAR-MONOPOLY ON ARMS SUPPLY AND EXPAND RELATIONS WITH WEST, BOTH OF WHICH ARE CLEARLY IN U.S. INTEREST. AN EARLY REVERSAL OF THIS POLICY, OR AT LEAST ONE PERMITTING EXCEPTIONS, WOULD BE OF MAJOR IMPORTANCE TO

ITALY AND WOULD ALMOST CERTAINLY HAVE LONG TERM BENEFITS  
FOR U.S.-IRAQI RELATIONS. LOWRIE

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